



DELAINE EASTIN
State Superintendent of Public Instruction

CALIFORNIA
DEPARTMENT
OF
EDUCATION

721 Capitol Mall

P. O. Box 944272

Sacramento, CA

94244-2720

MANAGEMENT BULLETIN 00-03

July 7, 2000

To: County and District Superintendents
Charter School Administrators

Attention: County and District Chief Business Officers

From: Susan Lange, Deputy Superintendent
Finance, Technology, and Administration

Subject: **2000 BUDGET ACT AND RELATED LEGISLATION**

On June 30, 2000, Governor Gray Davis signed the 2000 Budget Act, AB 1740 (Chapter 52, Statutes of 2000). He signed the omnibus budget "trailer bill," SB 1667 (Chapter 71, Statutes of 2000), and a number of other bills related to the budget, on July 5, 2000. In the interest of providing information on the budget as quickly as possible, this management bulletin focuses on major highlights. We will issue a more comprehensive review of the budget, **Report on the Budget Act of 2000**, at a later date. Copies of this bulletin, as well as future budget-related documents, will be available at <http://www.cde.ca.gov/sfsdiv/> on the California Department of Education's web site.

2000-01 BUDGET OVERVIEW

The state revenue picture continues to be strong. In January, the state Department of Finance (DOF) projected that General Fund revenue growth would be 11.2% in 1999-00 and 4.7% in 2000-01. In the May Revision, the DOF projected that General Fund revenue growth would be 21% in FY 1999-00 and 5.5% in 2000-01, not including the effect of the Governor's proposed tax relief proposals. The May increase in projected revenue growth resulted in an additional \$12.3 billion being available for the state budget over the two-year period.

The 2000-01 revenue growth projection is less than the 1999-00 growth projection to recognize the volatility of capital gains and stock option income, which contributed to the remarkable revenues in 1999-00.

The budget provides a total of \$42.9 billion in state and local funding in 2000-01 for K-14 education under Proposition 98. The budget also increases Proposition 98 funding available for 1999-00 to \$39.5 billion. These appropriations exceed the amounts guaranteed under Proposition 98 by approximately \$1.5 billion in 1999-00 and \$1.4 billion in 2000-01.

K-12 EDUCATION OVERVIEW

The budget provides a total of \$38.1 billion in state and local funding in 2000-01 for K-12 education under Proposition 98, an increase of \$4.5 billion over the 1999 Budget Act. The budget also increases funding available for 1999-00 to \$35.1 billion, an increase of \$1.5 billion. On a per-ADA (average daily attendance) basis, K-12 Proposition 98 funding increases to approximately \$6,265 in 1999-00 (4.0% above the 1999 Budget Act) and \$6,701 in 2000-01 (11.2% above the 1999 Budget Act).

School Apportionments

The budget includes \$1.8 billion to eliminate the deficit factors previously applied to local education agency apportionments. In 1999-00, the factors were 6.996% for school districts and 8.628% for county offices of education. The budget also provides full funding for enrollment growth and a 3.17% cost-of-living adjustment (COLA) for district and county office revenue limits. Table 1 presents the estimated 2000-01 COLA amounts.

Table 1
District Revenue Limit COLAs

District Type	COLA per Unit of ADA
Elementary	\$132
High School	\$159
Unified	\$138

Special Education

The budget fully funds enrollment growth and a 3.17% COLA. In addition, the budget reflects \$68.9 million of new federal funds, freeing up a like amount of state funding for special education. Consistent with AB 602 (Chapter 854, Statutes of 1997), \$37.1 million is dedicated to equalization of funding rates, and \$31.2 million is allocated for districts with higher-than-average proportions of students with high-cost, low-incidence disabilities. The budget also includes \$29.9 million for both 1999-00 and 2000-01 to cover deficiencies in growth funding for 1999-00; and \$45.1 million for projected 2000-01 enrollment increases. Finally, the budget includes \$36.2 million to fund the 2000-01 effect of past-year adjustments.

Preschool and Child Care

The budget provides \$23 million for the full-year cost of the expansion of the State Preschool program begun in the current year and \$23.8 million for one-half year expansion to bring State Preschool enrollment to 100,000 children by the end of the 2000-01 fiscal year. In addition, there are increases to the following items: Preschool \$9.2 million; General Child Care \$61.1 million; Migrant Day Care \$3.9 million; Extended Day Care \$1.3 million and Quality Improvement \$29.8 million.

The budget also provides \$24.1 million (General Fund) toward the \$30.4 million COLA to specified child development programs, with the remaining \$6.3 million to be funded through federal resources. The following program expansions are also proposed:

- \$123.9 million increase of funds from the Temporary Assistance to Needy Families (TANF) reserve pool and the TANF Block Grant received by the Department of Social Services for transfer to the Child Care and Development Fund (CCDF) to meet caseload projections for CalWORKS Stage 2.
- \$50 million (General Fund) is proposed for Stage 2 to reflect a shift of eligible caseload out of Stage 3.
- \$95.1 million (\$45.4 General Fund) (\$49.7 CCDF) toward fully funding the estimated caseload need for CalWORKS Stage 3 childcare.

Other Categorical Programs

The budget provides increases of varying amounts for growth and a 3.17% COLA. The budget also continues to allow funding shifts (“20% out” and “25% in”) between programs formerly budgeted in the mega-item.

OTHER MAJOR BUDGET ACTIONS

In addition to the increases cited above, the budget includes major funding increases in the following areas:

Accountability Program

- \$350 million (one-time funds) for awards to school districts, county offices of education, and charter schools based on Academic Performance Index scores. Half of the funds would go for school staff bonuses and the other half would go to the school site. (SB 1667)
- \$100 million (\$50 million one-time funds each for 1999-00 and for 2000-01) for teacher bonuses under the Certificated Staff Performance Incentive Act (Ch 52/99).
- \$35 million for school awards under the Public School Accountability Act. This increase fully funds the program.
- \$22.6 million to fund planning grants for a second cohort in the Immediate Interventions/Underperforming Schools program.
- \$2 million for additional reading awards.

Educational Technology

- \$175 million (one-time funds) for instructional computers at high schools, with the first priority to provide online access to Advanced Placement courses at schools offering three or fewer such courses. The Office of the Secretary for Education will distribute the funds. (AB 2882, SB 1667)
- \$105.1 million (one-time funds) for the fourth and final year of the Digital High School Program. There is \$76 million in the base budget, as well, for this purpose.

English-Language Acquisition

- \$250 million (one-time funds) for a new English Language and Intensive Literacy program. The program would provide grants for supplemental instruction programs such as summer school for English language acquisition. (SB 1667)
- \$20 million for English-language acquisition programs.

School Improvement and Pupil Achievement Block Grants

- \$245 million (one-time funds) for grants to school districts, county offices of education, and charter schools. The funds can be used for school safety, deferred maintenance, technology staff development, educational technology connectivity, and facility improvements. (SB 1667)
- \$180 million (one-time funds) for block grants to school districts, county offices of education, and charter schools. The funds can be used for any one-time educational purpose proposed by schoolsite councils and approved by the governing board. (SB 1667)

Supplemental Instruction

- \$101.9 million to increase rates for supplemental instruction programs such as summer school from \$2.53 per hour to \$3.25 per hour. The budget package also includes a variety of changes to funding caps in these programs. (SB 1683)
- \$21.5 million for Intensive Algebra Instruction Academies for students in grades 7-8. (pending enactment of SB 1688)

Teacher Recruitment and Retention

- \$55 million (\$20 million one-time funds) to increase beginning teacher salaries. (SB 1598, SB 1643)
- \$9 million (non-Proposition 98 funds) for a media campaign to recruit teachers, to be administered by the California State University.

The following appropriations are pending enactment of SB 1330, which is double-joined to SB 1666.

- \$118.7 million intended for teacher recruitment and retention at low-performing schools.
- \$20.8 million to expand the Alternative Certification program and increase the grant level.
- \$9.4 million for a Teacher Recruitment Incentive Program to be administered by the Sacramento County Office of Education. The program would fund new teacher recruitment centers to help schools with a high concentration of emergency permit holders to recruit fully credentialed teachers.
- \$2.5 million (non-Proposition 98 funds) for teaching fellowships, to be administered by the California State University.

In addition to these funding increases, the budget package (1) provides limited tax credits to teachers who have unreimbursed expenses for classroom supplies, overtime, or continuing education (AB 2879); and (2) enhances retirement benefits under the State Teachers Retirement System (AB 1509).

Teacher Training and Improvement

- \$38 million (non-Proposition 98 funds) for stipends for teachers to attend existing and new professional development institutes operated by the University of California. The budget also includes funds in the university's budget to expand existing and establish new institutes. (AB 2881)
- \$16.5 million to increase the availability of Advanced Placement courses; this includes \$8 million through the University of California for distance learning development and expansion of the Advanced Placement initiative. (SB 1689)
- \$15.6 million for the Beginning Teacher Support and Assessment program to fund 3,500 additional teachers and increase grant levels for existing participants by 3.17%.

The following appropriation is pending enactment of SB 1330, which is double-joined to SB 1666.

- \$15 million to increase stipends to teachers receiving National Board of Professional Teaching Standards certification, including \$10 million to those who agree to teach in low-performing schools.

Testing

- \$20.2 million for administration of the Standardized Testing and Reporting (STAR) program.
- \$15.4 million for development and administration of the High School Exit Examination.
- \$12.0 million for standards-based test development for the STAR and High School Exit Examination program.
- \$15.1 million for administration of the English Language Development test.

Other Increases

- \$117 million (non-Proposition 98 funds) for scholarships for students with high test scores. Of this amount, \$6 million is for students excelling in mathematics and science (pending enactment of SB 1688).
- \$32.6 million for deferred maintenance. The budget provides full funding for deferred maintenance as specified in statute.
- \$32.5 million for the first cohort under the Cal-SAFE program. (SB 1667)
- \$25 million (one-time funds) for the Charter School Revolving Loan Fund.

Questions regarding this bulletin should be directed to the Fiscal Policy Office of the School Fiscal Services Division at (916)324-4541.

NOTICE:

The guidance in this bulletin is not binding on local education agencies or other entities. Except for the statutes, regulations, and court decisions that are referenced herein, this bulletin is exemplary, and compliance with it is not mandatory. (See Education Code Section 33308.5.)

APPENDIX 1

Proposition 98 Funding

Tables 2 and 3, as well as Charts 1 and 2, show the uses of the new Proposition 98 funding available in 2000-01.

Table 2
Uses of New On-Going Proposition 98 Funds in 2000-01
(\$ in millions)

<u>On-Going Proposition 98:</u>	
Revenue Limit Deficit Reduction	\$1,840.0
COLAs	1,060.4
Enrollment Growth	490.7
Teacher Recruitment/Retention	183.9
Child Care & Development*	133.0
Accountability	109.6
Supplemental Instruction	101.9
Special Education	73.1
Mandates	52.2
Testing	50.7
Teacher Training/Improvement	47.1
Deferred Maintenance	32.6
CAL-SAFE	32.5
Algebra Academies	21.5
English Language Acquisition	20.0
Other	18.6
Miscellaneous Base Adjustments	108.7
Total Ongoing Proposition 98	\$ 4,376.5

* Includes \$42.5 million Governor's Veto set-aside

Table 3
Uses of New One-Time Proposition 98 Funds
(\$ in millions)

One-Time Proposition 98:

2000-01 Funds:

Digital High School	\$ 105.1
Special Ed 1999-00 growth Deficiency	29.9
Charter School Revolving Loan Fund	25.0
Mandates	17.7
FCMAT & CSIS	13.8
Teacher Training/Improvement	25.0
Testing	12.0
Other	18.3
Subtotal 2000-01 One-time Funds	\$ 246.8

Prior Year Funds:

API Awards & Bonuses	\$ 400.0
English Language Acquisition Program	250.0
District Block Grant	245.0
School Site Block Grant	180.0
Education Technology	175.0
Reserve for Mandates	139.0
Base Adjustments	128.7
Other	12.3
Subtotal Prior Year One-time Funds	\$ 1,530.0

Total One-Time Proposition 98 Funds	\$ 1,776.8
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Chart 1
\$6.1 Billion in New Proposition 98 Spending

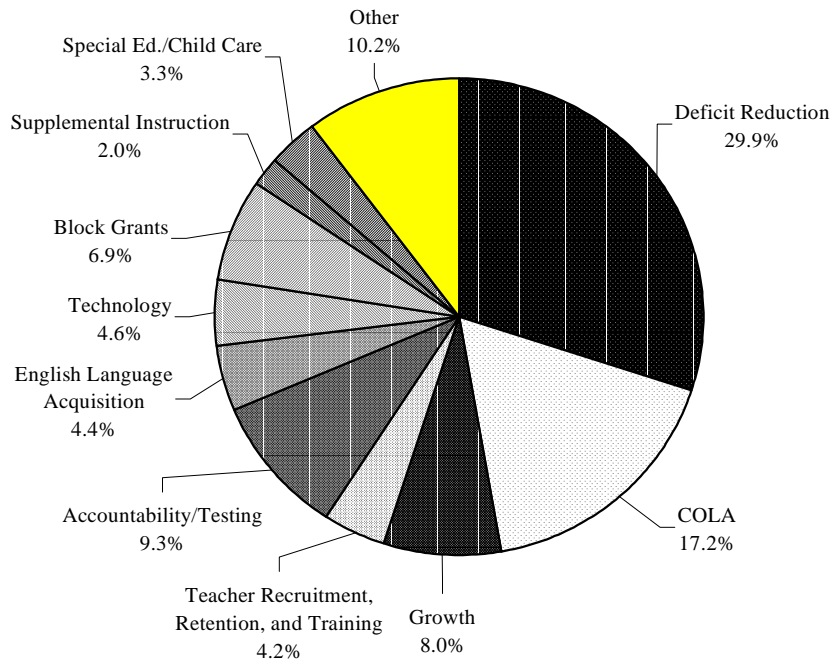
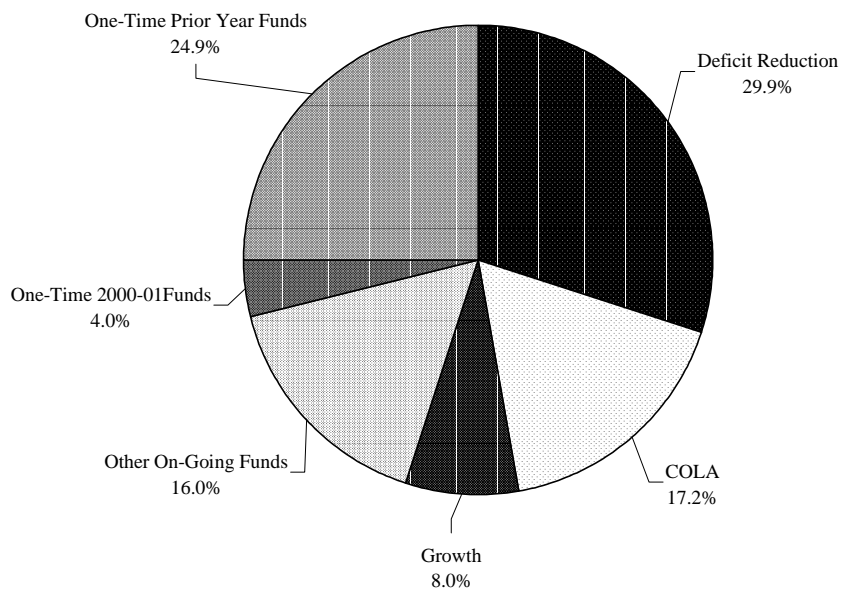


Chart 2
New Proposition 98 Spending



APPENDIX 2

Non-Proposition 98 Funding

Table 4 shows selected budget changes affecting K-12 programs that are not included in the Proposition 98 totals shown in Appendix 1.

Table 4
Budget Changes Not Included in Proposition 98
(\$ in millions)

Scholarships for students with high test scores	117.0
Education Technology (Connectivity)	50.0
Teacher Development Institutes	87.7
Professional Development Institute Stipends	38.0
Public Library Literacy Grants	10.0
Media Campaigns for Teacher Recruitment (CSU)	9.0
AP Course Development	4.0
Teaching Fellowships (CSU)	2.5

APPENDIX 3

2000 Budget Act and Related Legislation

AB 1740 (Chapter 52, 2000) – 2000 Budget Act SB 1667 (Chapter 71, 2000) – Omnibus Education Budget Trailer Bill
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|---|---|
| <ul style="list-style-type: none">• AB 1509 (Chapter 74, 2000) – STRS: 2% for Tax Deferred Savings• AB 2879 (Chapter 75, 2000) – Teacher Tax Credit• AB 2880 (Chapter 76, 2000) – Deficit Reduction• AB 2881 (Chapter 77, 2000) – Professional Development Institutes• AB 2882 (Chapter 78, 2000) – Educational Technology Grants | <ul style="list-style-type: none">• SB 1643 (Chapter 69, 2000) – Beginning Teacher Salaries• SB 1666 (Chapter 70, 2000) – Teacher Recruitment and Retention Initiatives• SB 1683 (Chapter 72, 2000) – Supplemental Remedial Instruction• SB 1688 (pending) – Merit Scholarships and Algebra Academies• SB 1689 (Chapter 73, 2000) – Advanced Placement Programs |
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